

BATH CHARTER TOWNSHIP HOUSING COMMISSION
BATH, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

AUDITING PROCEDURES REPORT

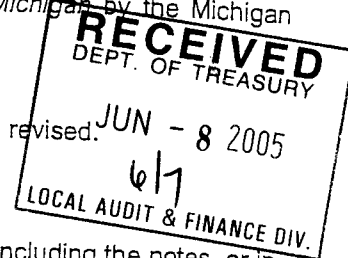
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name <i>Bath Charter Township Housing Commission</i>		County
Audit Date <i>12/31/04</i>	Opinion Date <i>5/2/05</i>		Date Accountant Report Submitted to State: <i>6/1/05</i>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <i>Sandy E. Gaudin, CPA</i>			
Street Address <i>1107 E. Eighth Street</i>		City <i>Troy, MI</i>	State <i>MI</i>
Accountant Signature <i>Sandy E. Gaudin, CPA</i>		ZIP <i>48068</i>	

BATH CHARTER TOWNSHIP HOUSING COMMISSION
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INTRODUCTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
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Independent Auditor's Report

Board of Commissioners
Bath Charter Township Housing Commission
Bath, Michigan

We have audited the accompanying statement of net assets of the Bath Charter Township Housing Commission, Michigan (a component unit of Bath Charter Township) as of December 31, 2004, and the related statements of revenues, expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bath Charter Township Housing Commission, Michigan, as of December 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2005 on our consideration of the Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Bath Charter Township Housing Commission
Independent Auditor's Report
Page Two

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information the Government Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of December 31, 2004.

Sam E. Sandell, CPA, PC

May 2, 2005

BATH CHARTER TOWNSHIP HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
December 31, 2004
=====

The Bath Charter Township Housing Commission, created in 1985, by Bath Charter Township provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Bath Charter Township Housing Commission consists of three programs. The first is owned housing, consisting of 30 units of public housing, the second is the capital funding program, the third is the housing choice voucher program consisting of 25 qualifying low-income residents for rental housing.

Bath Charter Township Housing Commission had total revenues of \$361,016 that includes \$72,030 in rental payments and \$226,357 in federal assistance. Total revenues increased by \$21,424 from the prior year, in part, because of federal assistance increasing by \$15,164, and rents increasing by \$9,782 from the prior year. Total operating expenses were \$359,439, that includes \$54,030 in administrative expenses, \$18,103 in utilities, \$64,808 in ordinary maintenance and operation, \$146,300 in housing assistance payments, and \$45,071 in depreciation expense. The operating expenses decreased by \$21,585, in part, because of the Housing Assistance payments increasing by \$18,105 from the prior year.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$1,172,345. The Housing Commission's total net assets increased by \$1,576 from the prior year. The increase can be attributed, in part, to the tenant rents increasing from the prior year.

Total assets of the Housing Commission were \$1,236,225 and also, there was \$192,247 of current assets and \$63,880 in current liabilities. There was a net decrease in total assets of \$9,121 from the prior year. The decrease is due, in part, because of the depreciation expense of \$45,071.

The Housing Commission's overall financial condition has remained stable.

BATH CHARTER TOWNSHIP HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) - CONTINUED
December 31, 2004

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Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Revenues, Expenses, and Changes in Fund Net Assets - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended December 31, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Current assets	\$ 192,247	\$ 231,564	\$(39,317)
Property and equipment	<u>1,043,978</u>	<u>1,013,782</u>	<u>30,196</u>
Total assets	<u>\$1,236,225</u>	<u>\$1,245,346</u>	<u>\$(9,121)</u>
Current liabilities	<u>\$ 63,880</u>	<u>\$ 74,577</u>	<u>\$(10,697)</u>
Total liabilities	<u>63,880</u>	<u>74,577</u>	<u>(10,697)</u>
Net assets:			
Invested in capital assets	1,043,978	1,413,403	(369,425)
Unrestricted	<u>128,367</u>	<u>(242,634)</u>	<u>371,001</u>
Total net assets	<u>1,172,345</u>	<u>1,170,769</u>	<u>1,576</u>
Total liabilities and net assets	<u>\$1,236,225</u>	<u>\$1,245,346</u>	<u>\$(9,121)</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) - CONTINUED
December 31, 2004

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Financial Analysis of the Housing Commission (continued)

The following table of summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the Housing Commission for the years ended December 31, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 72,030	\$ 62,248	\$ 9,782
Total operating revenues	<u>72,030</u>	<u>62,248</u>	<u>9,782</u>
Operating expenses:			
Administration	54,030	61,045	(7,015)
Tenant services	3,768	4,851	(1,083)
Utilities	18,103	15,028	3,075
Ordinary maintenance and operation	64,808	62,257	2,551
Protective services	11,130	8,429	2,701
General expenses	16,229	16,804	(575)
Housing assistance payments	146,300	128,195	18,105
Depreciation	<u>45,071</u>	<u>41,245</u>	<u>3,826</u>
Total operating expenses	<u>359,439</u>	<u>337,854</u>	<u>21,585</u>
Non-operating revenue (expenses):			
Interest income	993	1,348	(355)
Other income	3,881	7,048	(3,167)
Capital grants	57,755	33,039	24,716
Operating grants	<u>226,357</u>	<u>235,909</u>	<u>(9,552)</u>
Total nonoperating revenue (expenses)	<u>288,986</u>	<u>277,344</u>	<u>11,642</u>
Prior period adjustments	(1)	(30,843)	30,842
Change in Net Assets	<u>\$ 1,576</u>	<u>\$ (29,105)</u>	<u>\$ 30,681</u>

FINANCIAL STATEMENTS

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS
December 31, 2004
=====

ASSETS

Current Assets:

Cash	\$ 126,843
Accounts receivable-HUD other projects	2,394
Accounts receivable-dwelling rents	4,004
Allowance for doubtful accounts	(2,118)
Investments-unrestricted	7,419
Prepaid expenses	2,170
Inventories	3,547
Due from other programs	<u>47,988</u>

Total Current Assets	<u>192,247</u>
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Property, Plant, and Equipment:

Land	35,419
Buildings	1,406,143
Equipment	66,488
Building improvements	<u>148,249</u>
	1,656,299
Less: accumulated depreciation	<u>(612,321)</u>

Net Property, Plant, and Equipment	<u>1,043,978</u>
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Total Assets	<u><u>\$ 1,236,225</u></u>
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See notes to financial statements

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS (CONTINUED)
December 31, 2004
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LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 7,940
Tenant security deposit liability	5,687
Accrued expenses	2,265
Due from other programs	<u>47,988</u>
Total Current Liabilities	<u>63,880</u>
Net Assets:	
Invested in capital assets	1,043,978
Unrestricted net assets	<u>128,367</u>
Total Net Assets	<u>1,172,345</u>
Total Liabilities and Net Assets	<u><u>\$ 1,236,225</u></u>

See notes to financial statements

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINED STATEMENT OF ACTIVITIES
Year Ended December 31, 2004
=====

OPERATING REVENUES:

Dwelling rent	\$ 72,030
Total operating revenues	<u>72,030</u>

OPERATING EXPENSES:

Administration	54,030
Tenant services	3,768
Utilities	18,103
Ordinary maintenance and operation	64,808
Protective services	11,130
General expenses	16,229
Housing assistance payments	146,300
Depreciation	<u>45,071</u>
Total operating expenses	<u>359,439</u>

Operating income(loss)	<u>(287,409)</u>
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NONOPERATING REVENUES:

Investment interest income	993
Other income	3,881
Capital grants	57,755
Operating grants	<u>226,357</u>

Total nonoperating revenues	<u>288,986</u>
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Net income (loss)	1,577
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Prior period adjustments, equity transfers and correction of errors	<u>(1)</u>
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Change in net assets	1,576
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Net assets, beginning	<u>1,170,769</u>
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Net assets, ending	<u>\$ 1,172,345</u>
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See notes to financial statements

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS
Year Ended December 31, 2004
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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 69,587
Cash payments to other suppliers of goods and services	(240,552)
Cash payments to employees for services	(70,341)
Cash payments for in lieu of taxes	<u>(4,394)</u>
Net cash (used) by operating activities	<u>(245,700)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	(313)
Operating grants	236,938
Other revenue	<u>3,881</u>
Net cash provided by noncapital financing activities	<u>240,506</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	57,755
Payments for capital acquisitions	<u>(75,267)</u>
Net cash (used) by capital and related financing activities	<u>(17,512)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Certificates of deposits purchased	(136)
Receipts of interest and dividends	<u>993</u>
Net cash provided by investing activities	<u>857</u>

Net increase(decrease) in cash	(21,849)
Cash, beginning	<u>148,692</u>
Cash, ending	<u>\$ 126,843</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended December 31, 2004
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RECONCILIATION OF CASH AND CASH EQUIVALENTS
PER STATEMENT OF CASH FLOWS TO THE BALANCE
SHEET:

Cash	\$ 126,843
Cash and cash equivalents per balance sheet	<u>\$ 126,843</u>

SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:

Operating income(loss)	\$(287,409)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	45,071
Bad debt allowance	1,835
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(2,443)
Prepaid expenses	(70)
Increase (decrease) in liabilities:	
Accounts payable	2,710
Accrued wage/payroll taxes payable	1,428
Accrued compensated absences	(7,659)
Accrued payments in lieu of taxes	<u>837</u>
Net cash (used) by operating activities	<u>\$(245,700)</u>

See notes to financial statements

BATH CHARTER TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bath Charter Township Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

The Bath Charter Township Housing Commission is a component unit of Bath Charter Township, a Michigan Township. The Housing Commission is a Public Housing Agency created by Bath Charter Township on March 14, 1985, consisting of a five member board appointed by the Township Supervisor and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Bath Charter Township Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-8092, the Housing Commission constructed, maintains and operates 30 units of subsidized housing in Bath Charter Township, Michigan. The Housing Commission also manages a Housing Choice Voucher program of subsidies for 25 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Housing Commission. For the most part, the effect of the interfund activity has been removed from these statements. The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support.

BATH CHARTER TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (continued)

The Housing Commission is considered a major individual Enterprise Fund.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases (revenues) and decreases (expenses) in net assets. Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

BATH CHARTER TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (continued)

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Bath Charter Township Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Inventory

Inventory is priced using the average cost method.

BATH CHARTER TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$1,000 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Equipment and furnishings	7 - 10 years
Building improvements	7 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-Fy 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

BATH CHARTER TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave is not cumulative (unless approved in advance by the Director) and shall be taken during the calendar year following the one in which it was earned unless conditions render it impossible, all employees shall take their vacation. If unused vacation time is not taken as directed, the unused vacation time as of December 31 of that year may be carried over into the next succeeding year.
- * Sick leave: Employees will earn one/eight hours of sick leave per 160 hours worked. This may be accrued up to 288 hours total. This can be used for personal time, but this can not be replaced in cash. When employee ceases employment they may be paid 50% of that accrued amount and if terminated employee may receive 0% of said amount.
- * Personal leave days: There is none offered other than up to three (3) days of bereavement leave.

The amount of accumulated benefits at December 31, 2004, was \$837, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The Housing Commission does not participate in a pension plan.

Income Taxes

As a component unit of a Michigan Township, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: CASH AND INVESTMENTS

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

BATH CHARTER TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004

NOTE 2: CASH AND INVESTMENTS (Continued)

HUD authorizes the Housing Commission to invest in certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

The Housing Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

Category 1: Includes deposits that are insured, registered, or for which the collateral securities are held by the Housing Commission or its agent in the Housing Commission's name. This includes FDIC or equivalent insurance coverage.

Category 2: Includes deposits for which the collateral securities are held by the dealer's trust department or agent in the Housing Commission's name.

Category 3: Includes all uninsured and uncollateralized deposits.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Housing Commission's deposits may have been higher than the December 31, 2004, balances detailed below. This means that the Housing Commission's risk and exposure could have been higher at these times. The Housing Commission had no significant type of deposits during the year not included below.

<u>Depository Balances by Category</u>					
<u>Depository</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	<u>Carrying Value</u>
Citizens Bank	<u>\$134,298</u>	<u>\$</u>	<u>\$</u>	<u>\$134,298</u>	\$134,169
Petty cash					<u>100</u>
					<u>\$134,269</u>
<u>Reconciliation to Cash on Balance Sheet</u>					
Cash					\$126,850
Investments-unrestricted					<u>7,419</u>
Total					<u>\$134,269</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004
=====

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At December 31, 2004, the receivables were \$4,004 with \$2,118 estimated as uncollectible. Bad debt expense was \$-0-.

Accounts Receivable - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at December 31, 2004, were as follows:

Housing Choice Voucher Program	<u>\$ 2,394</u>
--------------------------------	-----------------

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$ 47,988	Housing Choice Voucher Program	<u>\$ 47,988</u>
	<u>\$ 47,988</u>		<u>\$ 47,988</u>

The capital fund program transferred \$5,537 in operating funds to the Low Rent Program during the fiscal year ended December 31, 2004.

BATH CHARTER TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004
=====

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At December 31, 2004, the receivables were \$4,004 with \$2,118 estimated as uncollectible. Bad debt expense was \$-0-.

Accounts Receivable - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at December 31, 2004, were as follows:

Housing Choice Voucher Program \$ 2,394

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Low Rent Program	\$ 47,988	Housing Choice Voucher Program	\$ 47,988
	<u>\$ 47,988</u>		<u>\$ 47,988</u>

The capital fund program transferred \$5,537 in operating funds to the Low Rent Program during the fiscal year ended December 31, 2004.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

	Balance 12/31/03	Additions/Retirements/ Transfers	Balance 12/31/04
Capital Fund Program			
Building improvements	<u>\$ 122,189</u>	<u>\$ 57,755</u>	<u>\$ 148,249</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2004

=====

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>12/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/04</u>
Low Rent Program				
Land	\$ 35,419	\$	\$	\$ 35,419
Buildings	1,382,519	23,624		1,406,143
Furniture, equip. & machinery - dwellings	22,216			22,216
Furniture, equip. & machinery - administration	<u>18,690</u>	<u>25,582</u>		<u>44,272</u>
	1,458,844	<u>\$ 49,206</u>	<u>\$</u>	1,508,050
Less accumulated depreciation	<u>(567,251)</u>	<u>\$ (45,070)</u>	<u>\$</u>	<u>(612,321)</u>
Total	<u>\$ 891,593</u>			<u>\$ 895,729</u>
Combined Total				<u><u>\$1,043,978</u></u>

NOTE 5: CONTRIBUTED CAPITAL

Changes in invested in capital assets (formerly contributed capital) in the enterprise fund type for the year ended December 31, 2004, consist of the following:

	<u>Invested in</u> <u>Capital Assets</u>
Balance, beginning	\$ 1,413,403
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	<u>(369,425)</u>
Balance, ending	<u><u>\$ 1,043,978</u></u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004

=====

NOTE 6: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes four separate programs which provide housing assistance and grant programs. Segment information for the year ended December 31, 2004, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Condensed Statement of Activities:			
Dwelling and nondwelling rents	\$ 72,030	\$	\$
Depreciation expense	(45,071)		
Other operating expenses	(155,767)		(158,601)
Operating (loss)	(128,808)		(158,601)
Nonoperating revenues:			
Operating transfers	5,537	(5,537)	
Investment earnings	709		284
Other income	3,881		
Capital grants		57,755	
Operating grants	60,290	5,537	160,530
Net income (loss)	(58,391)	57,755	2,213
Prior period adjustments, equity transfers and correction of errors	31,694	(31,695)	
Change in net assets	(26,697)	26,060	2,213
Beginning net assets	1,044,672	122,189	3,908
Ending net assets	<u>\$ 1,017,975</u>	<u>\$ 148,249</u>	<u>\$ 6,121</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004

=====

NOTE 6: SEGMENT INFORMATION (Continued)

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Condensed Statement of Cash Flows			
Net cash provided (used) by:			
Operating activities	\$(87,099)		\$(158,601)
Nonoperating financing activities	77,095		163,411
Capital and related financing activities	(17,512)		
Investing activities	<u>573</u>		<u>284</u>
Net increase (decrease)	(26,943)		5,094
Cash, beginning	<u>102,071</u>		<u>46,621</u>
Cash, ending	<u>\$ 75,128</u>	<u>\$</u>	<u>\$ 51,715</u>

NOTE 7: OTHER INFORMATION

A. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

B. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

BATH CHARTER TOWNSHIP HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004
=====

NOTE 7: OTHER INFORMATION (Continued)

C. Implementation of New Accounting Standard

As of and for the year ended December 31, 2004, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

D. Prior Period Adjustments, Equity Transfers and
Correction of Errors

Low Rent Program

Equity transfer from 2001 capital fund \$ 31,694

Capital Fund Program

2001 capital fund equity transfer to PHA \$(31,695)

SUPPLEMENTARY INFORMATION

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
 December 31, 2004
 =====

C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
--	---

ASSETS

Current assets:

Cash	\$ 75,128	\$
Accounts receivable-HUD other projects		
Accounts receivable-dwelling rents	4,004	
Allowance for doubtful accounts	(2,118)	
Investments-unrestricted	7,419	
Prepaid expenses	2,170	
Inventories	3,547	
Due from other programs	<u>47,988</u>	
 Total current assets	 <u>138,138</u>	 <u></u>

Property, plant, and equipment:

Land	35,419	
Buildings	1,406,143	
Equipment	66,488	
Building improvements		<u>148,249</u>
	1,508,050	148,249
Less accumulated depreciation	<u>(612,321)</u>	<u></u>
 Net property, plant and equipment	 <u>895,729</u>	 <u>148,249</u>
 Total Assets	 <u>\$1,033,867</u>	 <u>\$ 148,249</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 51,715	\$ 126,843
2,394	2,394
	4,004
	(2,118)
	7,419
	2,170
	3,547
	<u>47,988</u>
<u>54,109</u>	<u>192,247</u>
	35,419
	1,406,143
	66,488
	<u>148,249</u>
	1,656,299
	<u>(612,321)</u>
	<u>1,043,978</u>
<u>\$ 54,109</u>	<u>\$1,236,225</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
 December 31, 2004

=====

	C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 7,940	\$
Tenant security deposit liability	5,687	
Accrued expenses	2,265	
Due from other programs	<u> </u>	<u> </u>
Total current liabilities	<u>15,892</u>	<u> </u>
Total liabilities	<u>15,892</u>	<u> </u>
Net Assets:		
Invested in capital assets	895,729	148,249
Unrestricted net assets	<u>122,246</u>	<u> </u>
Total net assets	<u>1,017,975</u>	<u>148,249</u>
Total Liabilities and Net Assets	<u><u>\$1,033,867</u></u>	<u><u>\$ 148,249</u></u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 7,940
	5,687
	2,265
<u>47,988</u>	<u>47,988</u>
<u>47,988</u>	<u>63,880</u>
<u>47,988</u>	<u>63,880</u>
<u>6,121</u>	1,043,978
	<u>128,367</u>
<u>6,121</u>	<u>1,172,345</u>
<u>\$ 54,109</u>	<u>\$1,236,225</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF ACTIVITIES
 Year Ended December 31, 2004
 =====

	C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 72,030	\$ _____
Total operating revenues	<u>72,030</u>	_____
OPERATING EXPENSES:		
Administration	41,729	
Tenant services	3,768	
Utilities	18,103	
Ordinary maintenance and operation	64,808	
Protective services	11,130	
General expenses	16,229	
Housing assistance payments		
Depreciation	<u>45,071</u>	_____
Total operating expenses	<u>200,838</u>	_____
Operating income (loss)	<u>(128,808)</u>	_____
NONOPERATING REVENUES AND (EXPENSES):		
Operating transfers in (out)	5,537	(5,537)
Investment interest income	709	
Other income	3,881	
Capital grants		57,755
Operating grants	<u>60,290</u>	<u>5,537</u>
Total nonoperating revenues (expenses)	<u>70,417</u>	<u>57,755</u>
Net income (loss)	(58,391)	57,755
Prior period adjustments, equity transfers and correction of errors	<u>31,694</u>	<u>(31,695)</u>
Change in net assets	(26,697)	26,060
Net assets, beginning	<u>1,044,672</u>	<u>122,189</u>
Net assets, ending	<u>\$1,017,975</u>	<u>\$148,249</u>

Housing Choice Vouchers	
<u>14.871</u>	<u>Totals</u>
 \$	 \$
	72,030
	<u>72,030</u>
12,301	54,030
	3,768
	18,103
	64,808
	11,130
	16,229
146,300	146,300
	<u>45,071</u>
<u>158,601</u>	<u>359,439</u>
<u>(158,601)</u>	<u>(287,409)</u>
284	993
	3,881
	57,755
<u>160,530</u>	<u>226,357</u>
<u>160,814</u>	<u>288,986</u>
2,213	1,577
	<u>(1)</u>
2,213	1,576
<u>3,908</u>	<u>1,170,769</u>
<u>\$ 6,121</u>	<u>\$ 1,172,345</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2004
=====

	C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 69,587	\$
Cash payments to other suppliers of goods and services	(93,952)	
Cash payments to employees for services	(58,340)	
Cash payments for in lieu of taxes	<u>(4,394)</u>	
Net cash (used) by operating activities	<u>(87,099)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tenant security deposits	(313)	
Due from/to other funds	7,700	
Operating transfers in (out)	5,537	(5,537)
Operating grants	60,290	5,537
Other revenue	<u>3,881</u>	
Net cash provided by noncapital financing activities	<u>77,095</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		57,755
Payments for capital acquisitions	<u>(17,512)</u>	<u>(57,755)</u>
Net cash (used) by capital and related financing activities	<u>(17,512)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Certificates of deposits purchased	(136)	
Receipts of interest and dividends	<u>709</u>	
Net cash provided by investing activities	<u>573</u>	
Net increase(decrease) in cash	(26,943)	
Cash, beginning	<u>102,071</u>	
Cash, ending	<u><u>\$ 75,128</u></u>	<u><u>\$</u></u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 69,587
(146,600)	(240,552)
(12,001)	(70,341)
	(4,394)
(158,601)	(245,700)
(7,700)	(313)
171,111	236,938
	3,881
163,411	240,506
	57,755
	(75,267)
	(17,512)
284	(136)
	993
284	857
5,094	(21,849)
46,621	148,692
\$ 51,715	\$ 126,843

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended December 31, 2004
 =====

C-8092	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH
 EQUIVALENTS PER STATEMENT OF CASH
 FLOWS TO THE BALANCE SHEET:**

Cash	\$ <u>75,128</u>	\$ _____
Cash and cash equivalents per balance sheet	\$ <u>75,128</u>	\$ <u>_____</u>

**SCHEDULE RECONCILING OPERATING INCOME
 TO NET CASH FLOW FROM OPERATING
 ACTIVITIES:**

Operating income(loss)	\$ (128,808)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	45,071	
Bad debt allowance	1,835	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(2,443)	
Prepaid expenses	(70)	
Increase (decrease) in liabilities:		
Accounts payable	2,710	
Accrued wage/payroll taxes payable	1,428	
Accrued compensated absences	(7,659)	
Accrued payments in lieu of taxes	<u>837</u>	
Net cash (used) by operating activities	<u>\$ (87,099)</u>	<u>\$ _____</u>

Housing
Choice
Vouchers
14.871

Totals

\$ 51,715

\$ 126,843

\$ 51,715

\$ 126,843

\$ (158,601)

\$ (287,409)

45,071
1,835

(2,443)
(70)

2,710
1,428
(7,659)

837

\$ (158,601)

\$ (245,700)

BATH CHARTER TOWNSHIP HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended December 31, 2004
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2004	Low Rent Public Housing	14.850	\$ 60,290
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2004	Capital Fund Program	14.872	63,292
	<u>Low Income Public Housing Nonmajor - Direct Program</u>		
2004	Housing Choice Vouchers	14.871	<u>160,530</u>
	Total		<u>\$ 284,112</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

BATH CHARTER TOWNSHIP HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended December 31, 2004

FDS Line Item No.		C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 75,128	\$
100	Total cash	<u>75,128</u>	
	Receivables:		
122	A/R-HUD other projects		
126	A/R-tenants-dwelling rents	4,004	
126.1	Allowance for doubtful accounts	(2,118)	
120	Total receivables, net	<u>1,886</u>	
	Current Investments:		
131	Investments-unrestricted	<u>7,419</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	2,170	
143	Inventories	3,547	
144	Interprogram due from	<u>47,988</u>	
	Total other current assets	<u>53,705</u>	
150	Total current assets	<u>138,138</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	35,419	
162	Buildings	1,406,143	
163	Furn, equip & mach-dwellings	22,216	
164	Furn, equip & mach-admin.	44,272	
165	Building improvements		148,249
166	Accumulated depreciation	(612,321)	
160	Total fixed assets, net of accumulated depreciation	<u>895,729</u>	<u>148,249</u>
180	Total noncurrent assets	<u>895,729</u>	<u>148,249</u>
190	Total Assets	<u>\$ 1,033,867</u>	<u>\$148,249</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ <u>51,715</u>	\$ <u>126,843</u>
<u>51,715</u>	<u>126,843</u>
2,394	2,394
	4,004
	(<u>2,118</u>)
<u>2,394</u>	<u>4,280</u>
	<u>7,419</u>
	2,170
	3,547
	<u>47,988</u>
	<u>53,705</u>
<u>54,109</u>	<u>192,247</u>
	35,419
	1,406,143
	22,216
	44,272
	148,249
	(<u>612,321</u>)
	<u>1,043,978</u>
	<u>1,043,978</u>
<u>\$ 54,109</u>	<u>\$ 1,236,225</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended December 31, 2004
 =====

FDS Line Item No.		C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable-<=90 days	\$ 2,710	\$
321	Accrued wage/payroll taxes payable	1,428	
322	Accrued compensated absences	837	
333	Accounts payable-other government	5,230	
341	Tenant security deposits	5,687	
347	Interprogram due to	<u> </u>	<u> </u>
310	Total current liabilities	<u>15,892</u>	<u> </u>
300	Total liabilities	<u>15,892</u>	<u> </u>
	Net Assets:		
508.1	Invested in capital assets	<u>895,729</u>	<u>148,249</u>
508	Total invested in capital assets	895,729	148,249
512.1	Unrestricted net assets	<u>122,246</u>	<u> </u>
513	Total Net Assets	<u>1,017,975</u>	<u>148,249</u>
600	Total Liabilities and Net Assets	<u>\$ 1,033,867</u>	<u>\$148,249</u>

Housing
Choice
Vouchers
14.871

Totals

\$

\$

2,710

1,428

837

5,230

5,687

47,988

47,988

47,988

63,880

47,988

63,880

1,043,978

1,043,978

6,121

128,367

6,121

1,172,345

\$ 54,109

\$ 1,236,225

BATH CHARTER TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended December 31, 2004

FDS Line Item No.		C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 72,030	\$
704	Tenant revenue-other		
705	Total tenant revenue	<u>72,030</u>	
706	HUD PHA grants	60,290	5,537
706.1	Capital grants		57,755
711	Investment income-unrestricted	709	
715	Other revenue	<u>3,881</u>	
700	Total revenue	<u>136,910</u>	<u>63,292</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	19,525	
912	Auditing fees	2,500	
914	Compensated absences	(7,659)	
915	Employee benefit contributions-adm.	3,800	
916	Other operating-administrative	23,563	
	Tenant Services:		
924	Tenant services-other	3,768	
	Utilities:		
931	Water	11,922	
932	Electricity	4,217	
933	Gas	1,964	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	30,434	
942	Ordinary maint & oper-mat'ls & other	7,721	
943	Ordinary maint & oper-contract costs	20,644	
945	Employee benefit contributions	6,009	
952	Protective services-other contract costs	11,130	
	General expenses:		
961	Insurance premiums	10,998	
963	Payments in lieu of taxes	<u>5,231</u>	
969	Total operating expenses	<u>155,767</u>	
970	Excess operating revenue over operating expenses	<u>(18,857)</u>	<u>63,292</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 72,030
	72,030
160,530	226,357
	57,755
284	993
	<u>3,881</u>
<u>160,814</u>	<u>361,016</u>
12,001	31,526
	2,500
	(7,659)
	3,800
300	23,863
	3,768
	11,922
	4,217
	1,964
	30,434
	7,721
	20,644
	6,009
	11,130
	10,998
	<u>5,231</u>
<u>12,301</u>	<u>168,068</u>
<u>148,513</u>	<u>192,948</u>

BATH CHARTER TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended December 31, 2004

=====

FDS Line Item No.		C-8092 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
973	Housing assistance payments		
974	Depreciation expense	<u>45,071</u>	<u> </u>
	Total other expenses	<u>45,071</u>	<u> </u>
900	Total expenses	<u>200,838</u>	<u> </u>
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	(63,928)	63,292
	Other Financing Sources(Uses):		
1001	Operating transfers in (out)	<u>5,537</u>	<u>(5,537)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(58,391)	57,755
1103	Beginning Net Assets	1,044,672	122,189
1104	Prior period adjustments, equity transfers and correction of errors	<u>31,694</u>	<u>(31,695)</u>
	Ending Net Assets	<u>\$ 1,017,975</u>	<u>\$148,249</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
 146,300	 146,300
<u>146,300</u>	<u>45,071</u>
158,601	191,371
<u>158,601</u>	<u>359,439</u>
 2,213	 1,577
<u>2,213</u>	<u>1,577</u>
3,908	1,170,769
<u>3,908</u>	<u>(1)</u>
<u>\$ 6,121</u>	<u>\$ 1,172,345</u>

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Bath Charter Township Housing Commission
Bath, Michigan

We have audited the financial statements of the Bath Charter Township Housing Commission, Michigan, (Housing Commission) as of and for the year ended December 31, 2004, and have issued our report thereon dated May 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk

Report on Compliance and on Internal Control
In Accordance with Government Auditing Standard
Bath Charter Township Housing Commission
Page Two

Internal Control Over Financial Reporting - Continued

that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We have noted other matters involving the internal control over financial reporting that we have reported to management of the Housing Commission in a separate letter dated May 2, 2005.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sandy E. Vandell, CPA, PC

May 2, 2005

BATH CHARTER TOWNSHIP HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
 DECEMBER 31, 2004

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<u>Account Number #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			
	(1)		
1162	Investments-CD	\$ 136.15	
3610	Interest income		\$ 136.15
	To record interest earned		
	during 2003 of \$58.96 and		
	2004 of \$77.19, respectively.		

BATH CHARTER TOWNSHIP HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

DECEMBER 31, 2004

BATH CHARTER TOWNSHIP HOUSING COMMISSION
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DECEMBER 31, 2004

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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Bath Charter Township Housing Commission

We have audited the financial statements of the Bath Charter Township Housing Commission ("Housing Commission") as of and for the year ended December 31, 2004, and have issued our report, thereon, dated May 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing our audit of the financial statements, we considered your internal control in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There was one audit adjusting journal entry and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments (if any), in our judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 5 showing the audit adjusting journal entries).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To our knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to our retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, we would welcome the opportunity to discuss them with you.

Sandy E. Audette, CPA, PC

May 2, 2005

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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Traverse City, Michigan 49686
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**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Bath Charter Township Housing Commission

We have audited the financial statements of the Bath Charter Township Housing Commission ("Housing Commission") as of and for the year ended December 31, 2004, and have issued our report, thereon, dated May 2, 2005. We have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to our attention during the audit, are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Housing Commission's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

May 2, 2005

BATH CHARTER TOWNSHIP HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
December 31, 2004
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Certificate of Deposits

The Housing Commission has one Certificate of Deposit, but there is not a policy in place that requires two signatures to start or cash in a Certificate of Deposit.

We recommend that the Housing Commission adopt a resolution that would require two signatures to open up a certificate of deposit or to cash in a certificate of deposit. This policy would provide another internal control for the safe guarding of assets. It should be noted that the Bank the Housing Commission is using as a matter of standard procedure may require two signatures. The Housing Commission could have the bank type on the CD certificate that two signatures are required to withdraw the funds.

Invoices

The check stub is attached to the invoices.

We recommend the invoices be stamped with a "approve or deny" stamp before the Board Commissioner signs the checks. Also, before the check is mailed to the payee, the invoice should be marked with a "paid and date paid" stamp. These markings will prevent an invoice from being paid twice and provide another control on approval.

Cash Collections

Tenants currently can pay their rents by cash, check or money order.

We recommend that the Housing Commission consider not allowing payments by cash. This would provide another internal control in the collection of assets.

Software for Tenant Accounting

Through the calendar year 2004 the Housing Commission recorded the payments of tenant rents on ledger cards by hand. As of January 1, 2005 the Housing Commission began using a computerized system for tenant accounting. We believe that the internal controls are improved by using this software that is used by many of the Housing Commission's in Michigan.

BATH CHARTER TOWNSHIP HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
December 31, 2004

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<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			
		-1-	
1162	Investments-CD	\$ 136.15	
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